



**MUNISIPALITEIT  
RICHTERSVELD  
MUNICIPALITY**

Die Richtersveld leuse is:

!Ghâi //Khoredi

Dit beteken: "Strewe na sukses" in Nama

# **DRAFT ANNUAL BUDGET OF RICHTERSVELD MUNICIPALITY**

**2016/17 TO 2018/19  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS**

ON

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### Abbreviations and Acronyms

|       |                                                  |       |                                               |
|-------|--------------------------------------------------|-------|-----------------------------------------------|
| AMR   | Automated Meter Reading                          | MFMA  | Municipal Financial Management Act            |
| BPC   | Budget Planning Committee                        |       | Programme                                     |
| CBD   | Central Business District                        | MIG   | Municipal Infrastructure Grant                |
| CFO   | Chief Financial Officer                          | MM    | Municipal Manager                             |
| CPI   | Consumer Price Index                             | MMC   | Member of Mayoral Committee                   |
| DBSA  | Development Bank of South Africa                 | MPRA  | Municipal Properties Rates Act                |
| DoRA  | Division of Revenue Act                          | MSA   | Municipal Systems Act                         |
| DWA   | Department of Water Affairs                      | MTEF  | Medium-term Expenditure Framework             |
| EE    | Employment Equity                                | MTREF | Medium-term Revenue and Expenditure Framework |
| EM    | Executive Mayor                                  | NERSA | National Electricity Regulator South Africa   |
| FBS   | Free basic services                              | NGO   | Non-Governmental organisations                |
| GAMAP | Generally Accepted Municipal Accounting Practice | NKPIs | National Key Performance Indicators           |
| GDP   | Gross domestic product                           | OHS   | Occupational Health and Safety                |
| GFS   | Government Financial Statistics                  | OP    | Operational Plan                              |
| GRAP  | General Recognised Accounting Practice           | PBO   | Public Benefit Organisations                  |
| HR    | Human Resources                                  | PHC   | Provincial Health Care                        |
| HSRC  | Human Science Research Council                   | PMS   | Performance Management System                 |
| IDP   | Integrated Development Strategy                  | PPE   | Property Plant and Equipment                  |
| IT    | Information Technology                           | PPP   | Public Private Partnership                    |
| kℓ    | kilolitre                                        | RG    | Restructuring Grant                           |
| km    | kilometre                                        | SALGA | South African Local Government Association    |
| KPA   | Key Performance Area                             | SDBIP | Service Delivery Budget Implementation Plan   |
| KPI   | Key Performance Indicator                        | SMME  | Small Micro and Medium Enterprises            |
| kWh   | kilowatt                                         |       |                                               |
| ℓ     | litre                                            |       |                                               |
| LED   | Local Economic Development                       |       |                                               |
| MEC   | Member of the Executive Committee                |       |                                               |

## **Part 1 – Annual Budget**

### **Mayor's Report**

Honourable councillors, municipal officials, partners in government, members of community, it is my privilege to present the draft 2016/17 annual budget.

This budget is a financial forecast of income and expenditure for Richtersveld Municipality.

It should be known that the municipality is currently serving an approximate 3300 households with basic services. This amount includes 1000 registered indigent households.

The total projected operational income amounts to R59 483 000.00 and the projected operation expenditure amounts to R60 306 000.00. This equates to a deficit of R824 000.00. However, there is an amount of R1,200 000.00 to be received from Department of Sport, Arts and Culture (Library funds) not included in the above amounts as a result of receiving the information late. Taking the above-mentioned into account, the municipality will show a surplus of R376 000.00, thus resulting in a fully funded budget.

### **Key Budgeted Expenditure Items**

Some of the budgeted amounts have been based on realistic and inflation based increases.

#### **Personnel Costs**

- Salaries amount to 39% of total operating expenditure
- Salaries were increased by 6% as per SALGBC Circular 1-2016 and a 1% notch increase, equalling 7%

#### **General Expenditure**

General expenditure amounts to R12 168 000.00 equalling 20% of operating expenditure.

#### **Capital Expenditure**

The total Capital budgeted expenditure amounts to R24 458 000.00. The expenditure will be largely funded through National Grants i.e.:

- Paving of Sanddrift road –MIG Funding
- Oxidation Ponds – MIG Funding
- Electrification of Sanddrift houses – INEP Funding
- Bulk electrification- Port Nolloth – INEP Funding

The Municipality strives to adhere to realistic anticipated revenue. The municipality also made use of National Treasury Guidelines i.r.o. inflation and economic trends to compile 2016/17 MTREF.

#### **Financial Management Grant (FMG)**

The allocation for 2016/17 financial year amounts to R1 800 000.00. This grant will be used for salaries of interns and the majority for implementation of MSCOA.

#### **Management Systems Improvement Grant (MSIG)**

The municipality has received no allocation i.r.o. 2016/17 financial year

#### **Service Charges**

The majority of tariffs were increased by 7.8% in line with Circular 79. Electricity tariffs were increased by 7.64% as per NERSA document dated 07 March 2016.

#### **Free Basic Services**

Registered households with an income not exceeding R 3 300.00 per household qualifies for this subsidy. The subsidy consists of 6 kiloliter of free water, 50 kwh electricity, free refuse removal and free sanitation per month.

## Council Resolutions

On 30<sup>th</sup> March 2016 the Council of Richtersveld Local Municipality met in the Council Chambers to consider the Draft Annual Budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of Richtersveld Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The draft annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification).
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote).
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type).
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
2. The Council of Richtersveld Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016:
  - 2.1. the tariffs for property rates
  - 2.2. the tariffs for electricity
  - 2.3. the tariffs for the supply of water
  - 2.4. the tariffs for sanitation services
  - 2.5. the tariffs for solid waste services
  - 2.6. sundry income
3. The Council of Richtersveld Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the tariffs for other services.

## Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51, 54, 58, 59, 66, 67, 70, 72, 74, 75, 78 and 79 were used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The continuing difficulties in the national and local economy;
- Ageing of water, sewerage, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will come a point where services will no longer be affordable to the community;
- Wage increases for municipal staff that continues to exceed consumer inflation;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2016/17 MTREF process; and
- Operating with an old fleet which is putting pressure on the repairs and maintenance budget.
- The municipality is grant dependant as the income from consumers will not be able to fund operations
- The vastness of the municipal jurisdiction also attributes to the increase in direct and indirect cost to provide services to remote communities.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2016/17 MTREF**

| R thousands                    | Budget Year<br>2015/16 | Budget Year<br>2016/17 | Budget Year<br>2017/18 |
|--------------------------------|------------------------|------------------------|------------------------|
| Total Operating Revenue        | 60 063 000             | 59 483 000             | 61 856 000             |
| Total Operating Expenditure    | 62 538 000             | 60 306 000             | 63 868 000             |
| Surplus/(Deficit) for the year | (2 475 000)            | (824 000)              | (2 012 000)            |
| Total Capital Expenditure      | 10 053 000             | 24 458 000             | 29 255 000             |



(663)

NC061 Richtersveld - Table A1 Budget Summary

| Description                                                          | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|----------------------------------------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
|                                                                      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>R thousands</b>                                                   |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| <b>Financial Performance</b>                                         |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Property rates                                                       | 7 801           | 7 227           | 9 189           | 10 311               | 10 311          | 10 311             | 10 311            | 10 991                                              | 11 673                 | 12 361                 |
| Service charges                                                      | 16 764          | 17 616          | 20 415          | 23 784               | 23 784          | 23 784             | 23 784            | 25 354                                              | 26 925                 | 28 514                 |
| Investment revenue                                                   | 653             | 360             | 325             | 400                  | 400             | 400                | 400               | 10                                                  | 11                     | 11                     |
| Transfers recognised - operational                                   | 22 070          | 18 201          | 20 681          | 18 381               | 18 381          | 18 381             | 18 528            | 16 323                                              | 16 021                 | 16 144                 |
| Other own revenue                                                    | 5 881           | 5 292           | 7 005           | 7 188                | 7 188           | 7 188              | 7 188             | 6 805                                               | 7 227                  | 7 653                  |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>53 169</b>   | <b>48 695</b>   | <b>57 616</b>   | <b>60 063</b>        | <b>60 063</b>   | <b>60 063</b>      | <b>60 210</b>     | <b>59 483</b>                                       | <b>61 856</b>          | <b>66 684</b>          |
| Employee costs                                                       | 15 452          | 17 131          | 18 009          | 18 955               | 20 145          | 20 145             | 20 145            | 21 353                                              | 22 855                 | 24 395                 |
| Remuneration of councillors                                          | 2 072           | 1 970           | 1 980           | 2 786                | 2 569           | 2 569              | 2 569             | 2 723                                               | 2 919                  | 3 121                  |
| Depreciation & asset impairment                                      | 5 127           | 5 401           | 4 796           | 3 896                | 3 896           | 3 896              | 3 896             | 5 527                                               | 6 012                  | 6 284                  |
| Finance charges                                                      | 1 145           | 1 204           | 1 149           | 907                  | 938             | 938                | 938               | 864                                                 | 903                    | 961                    |
| Materials and bulk purchases                                         | 8 295           | 9 421           | 10 421          | 12 003               | 13 052          | 13 052             | 13 052            | 14 279                                              | 15 621                 | 17 090                 |
| Transfers and grants                                                 | 3 300           | 3 222           | -               | 3 259                | 3 181           | 3 181              | 3 181             | 3 391                                               | 3 602                  | 3 814                  |
| Other expenditure                                                    | 24 344          | 18 447          | 20 416          | 18 501               | 18 757          | 18 757             | 18 757            | 12 168                                              | 11 955                 | 12 793                 |
| <b>Total Expenditure</b>                                             | <b>59 734</b>   | <b>56 795</b>   | <b>56 772</b>   | <b>60 316</b>        | <b>62 538</b>   | <b>62 538</b>      | <b>62 538</b>     | <b>60 306</b>                                       | <b>63 868</b>          | <b>68 457</b>          |
| <b>Surplus/(Deficit)</b>                                             | <b>(6 566)</b>  | <b>(8 100)</b>  | <b>844</b>      | <b>(253)</b>         | <b>(2 475)</b>  | <b>(2 475)</b>     | <b>(2 328)</b>    | <b>(824)</b>                                        | <b>(2 012)</b>         | <b>(1 773)</b>         |
| Transfers recognised - capital                                       | 15 504          | 6 543           | 8 655           | 16 296               | 8 753           | 8 753              | 8 767             | 24 358                                              | 29 255                 | 8 547                  |
| Contributions recognised - capital & contributed                     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>8 939</b>    | <b>(1 557)</b>  | <b>9 499</b>    | <b>16 043</b>        | <b>6 278</b>    | <b>6 278</b>       | <b>6 439</b>      | <b>23 534</b>                                       | <b>27 243</b>          | <b>6 774</b>           |
| Share of surplus/ (deficit) of associates                            | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Surplus/(Deficit) for the year</b>                                | <b>8 939</b>    | <b>(1 557)</b>  | <b>9 499</b>    | <b>16 043</b>        | <b>6 278</b>    | <b>6 278</b>       | <b>8 439</b>      | <b>23 534</b>                                       | <b>27 243</b>          | <b>6 774</b>           |
| <b>Capital expenditure &amp; funds sources</b>                       |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Capital expenditure                                                  | 15 739          | 7 257           | 10 842          | 16 409               | 10 053          | 10 053             | 10 053            | 24 458                                              | 29 255                 | 8 547                  |
| Transfers recognised - capital                                       | 15 739          | 5 533           | 8 655           | 16 296               | 8 753           | 8 753              | 8 753             | 24 358                                              | 29 255                 | 8 547                  |
| Public contributions & donations                                     | -               | 240             | 969             | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Borrowing                                                            | -               | -               | 12              | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Internally generated funds                                           | -               | 1 483           | 1 206           | 113                  | 1 300           | 1 300              | 1 300             | 100                                                 | -                      | -                      |
| <b>Total sources of capital funds</b>                                | <b>15 739</b>   | <b>7 257</b>    | <b>10 842</b>   | <b>16 409</b>        | <b>10 053</b>   | <b>10 053</b>      | <b>10 053</b>     | <b>24 458</b>                                       | <b>29 255</b>          | <b>8 547</b>           |
| <b>Financial position</b>                                            |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Total current assets                                                 | 12 453          | 8 312           | 7 789           | 19 387               | 14 054          | 14 054             | 14 215            | 16 220                                              | 21 283                 | 27 029                 |
| Total non current assets                                             | 158 887         | 169 081         | 175 671         | 176 072              | 181 713         | 181 713            | 181 730           | 200 650                                             | 223 882                | 226 134                |
| Total current liabilities                                            | 9 406           | 10 155          | 7 483           | 13 086               | 24 057          | 24 057             | 13 765            | 12 675                                              | 13 054                 | 13 564                 |
| Total non current liabilities                                        | 12 829          | 16 139          | 15 278          | 11 241               | 15 300          | 15 300             | 15 300            | 13 781                                              | 14 454                 | 15 169                 |
| Community wealth/Equity                                              | 149 106         | 151 099         | 160 598         | 171 132              | 156 410         | 156 410            | 166 879           | 190 413                                             | 217 656                | 224 430                |
| <b>Cash flows</b>                                                    |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Net cash from (used) operating                                       | 11 032          | 5 007           | 5 100           | 19 226               | 8 507           | 8 507              | 8 358             | 25 437                                              | 33 038                 | 13 104                 |
| Net cash from (used) investing                                       | (15 731)        | (7 333)         | (9 315)         | (16 398)             | (10 042)        | (10 042)           | (10 042)          | (24 447)                                            | (29 244)               | (8 536)                |
| Net cash from (used) financing                                       | (1 352)         | (1 495)         | (1 066)         | (663)                | (663)           | (663)              | (663)             | (232)                                               | 60                     | 60                     |
| <b>Cash/cash equivalents at the year end</b>                         | <b>10 397</b>   | <b>6 577</b>    | <b>1 296</b>    | <b>3 461</b>         | <b>1 443</b>    | <b>1 443</b>       | <b>1 295</b>      | <b>2 052</b>                                        | <b>5 906</b>           | <b>10 534</b>          |
| <b>Cash backing/surplus reconciliation</b>                           |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Cash and investments available                                       | 10 398          | 8 577           | 3 642           | 3 461                | 1 443           | 1 443              | 1 295             | 2 052                                               | 5 906                  | 10 534                 |
| Application of cash and investments                                  | 8 009           | 5 808           | 2 422           | (6 303)              | 5 234           | 5 234              | (5 255)           | (8 097)                                             | (8 999)                | (9 617)                |
| <b>Balance - surplus (shortfall)</b>                                 | <b>2 389</b>    | <b>769</b>      | <b>1 220</b>    | <b>9 764</b>         | <b>(3 790)</b>  | <b>(3 790)</b>     | <b>6 549</b>      | <b>10 149</b>                                       | <b>14 904</b>          | <b>20 151</b>          |
| <b>Asset management</b>                                              |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Asset register summary (WV)                                          | 158 662         | 168 886         | 175 389         | 175 888              | 181 529         | 181 529            | 200 477           | 200 477                                             | 223 719                | 225 983                |
| Depreciation & asset impairment                                      | 5 127           | 5 401           | 4 796           | 3 896                | 3 896           | 3 896              | 5 527             | 5 527                                               | 6 012                  | 6 284                  |
| Renewal of Existing Assets                                           | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Repairs and Maintenance                                              | 1 310           | 1 300           | 944             | 1 080                | 1 152           | 1 152              | 1 228             | 1 228                                               | 1 305                  | 1 382                  |
| <b>Free services</b>                                                 |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Cost of Free Basic Services provided                                 | 131             | 135             | 163             | 174                  | 174             | 174                | 186               | 186                                                 | 197                    | -                      |
| Revenue cost of free services provided                               | 287             | 339             | 369             | 388                  | 388             | 388                | 409               | 409                                                 | 434                    | -                      |
| <b>Households below minimum service level</b>                        |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Water:                                                               | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Sanitation/sewerage:                                                 | 0               | 0               | 0               | 0                    | 0               | 0                  | 0                 | 0                                                   | -                      | -                      |
| Energy:                                                              | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Refuse:                                                              | -               | -               | 3               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |

Total operating revenue has decreased by R580 000.00 for the 2016/17 financial year when compared to the 2015/16. This is due to the decrease in investment income and transfers recognised, namely MSIG not being allocated for 2016/17.

Total operating expenditure for the 2016/17 financial year is calculated at R60, 306,000 million which caused a deficit of R824, 000.00. This figure will change, as there are still amendments to be made to the operating income for the 2016/2017 financial year.

The available capital budget for the 2016/2017 financial year has increased by R14 405 000.00 compared to the 2015/2016 capital budget.

### **Operating Revenue Framework**

For Richtersveld Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

**Table 2: Summary of revenue and expenditure by standard classification**

| NC061 Richtersveld - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification) |          |                 |                 |                 |                      |                 |                    |                                                     |                        |                        |
|-------------------------------------------------------------------------------------------------------------------|----------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| Standard Classification Description                                                                               | Ref      | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|                                                                                                                   |          | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| R thousand                                                                                                        | 1        |                 |                 |                 |                      |                 |                    |                                                     |                        |                        |
| <b>Revenue - Standard</b>                                                                                         |          |                 |                 |                 |                      |                 |                    |                                                     |                        |                        |
| Governance and administration                                                                                     |          | 45 663          | 27 483          | 33 348          | 32 423               | 32 423          | 32 423             | 31 410                                              | 32 043                 | 35 112                 |
| Executive and council                                                                                             |          | 5 647           | 510             | 1 206           | 269                  | 269             | 269                | 239                                                 | 254                    | 269                    |
| Budget and treasury office                                                                                        |          | 10 944          | 9 799           | 11 563          | 12 585               | 12 585          | 12 585             | 14 730                                              | 15 605                 | 18 669                 |
| Corporate services                                                                                                |          | 29 072          | 17 175          | 20 179          | 19 570               | 19 570          | 19 570             | 18 441                                              | 18 184                 | 18 174                 |
| Community and public safety                                                                                       |          | 1 349           | 2 495           | 2 597           | 3 304                | 3 304           | 3 304              | 2 237                                               | 2 376                  | 2 518                  |
| Community and social services                                                                                     |          | 266             | 282             | 1 391           | 1 529                | 1 529           | 1 529              | 346                                                 | 387                    | 389                    |
| Sport and recreation                                                                                              |          | 1 025           | 1 193           | 1 195           | 1 761                | 1 761           | 1 761              | 1 877                                               | 1 994                  | 2 111                  |
| Public safety                                                                                                     |          | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Housing                                                                                                           |          | 14              | 1 024           | 15              | 17                   | 17              | 17                 | 18                                                  | 19                     | 20                     |
| Health                                                                                                            |          | 45              | (4)             | (3)             | (3)                  | (3)             | (3)                | (4)                                                 | (4)                    | (4)                    |
| Economic and environmental services                                                                               |          | 2 752           | 4 334           | 7 014           | 7 384                | 7 384           | 7 384              | 7 034                                               | 7 433                  | 7 584                  |
| Planning and development                                                                                          |          | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Road transport                                                                                                    |          | 2 752           | 4 334           | 7 014           | 7 384                | 7 384           | 7 384              | 7 034                                               | 7 433                  | 7 584                  |
| Environmental protection                                                                                          |          | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Trading services                                                                                                  |          | 18 909          | 20 926          | 23 311          | 33 247               | 25 704          | 25 704             | 43 159                                              | 49 259                 | 30 018                 |
| Electricity                                                                                                       |          | 8 761           | 8 354           | 9 080           | 13 373               | 13 373          | 13 373             | 14 157                                              | 15 442                 | 15 235                 |
| Water                                                                                                             |          | 5 678           | 6 154           | 5 974           | 13 051               | 5 508           | 5 508              | 21 729                                              | 26 093                 | 6 604                  |
| Waste water management                                                                                            |          | 2 212           | 3 967           | 5 342           | 3 377                | 3 377           | 3 377              | 3 600                                               | 3 823                  | 4 049                  |
| Waste management                                                                                                  |          | 2 258           | 2 441           | 2 916           | 3 446                | 3 446           | 3 446              | 3 674                                               | 3 901                  | 4 132                  |
| Other                                                                                                             | 4        | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| <b>Total Revenue - Standard</b>                                                                                   | <b>2</b> | <b>68 673</b>   | <b>55 238</b>   | <b>66 271</b>   | <b>76 359</b>        | <b>68 816</b>   | <b>68 816</b>      | <b>83 841</b>                                       | <b>91 111</b>          | <b>75 231</b>          |
| <b>Expenditure - Standard</b>                                                                                     |          |                 |                 |                 |                      |                 |                    |                                                     |                        |                        |
| Governance and administration                                                                                     |          | 25 585          | 25 929          | 21 975          | 27 575               | 29 487          | 29 487             | 26 885                                              | 27 649                 | 29 506                 |
| Executive and council                                                                                             |          | 6 158           | 5 671           | 5 746           | 6 040                | 5 852           | 5 852              | 6 502                                               | 6 932                  | 7 372                  |
| Budget and treasury office                                                                                        |          | 8 898           | 6 313           | 4 617           | 7 959                | 7 848           | 7 848              | 4 706                                               | 5 075                  | 5 506                  |
| Corporate services                                                                                                |          | 10 529          | 13 946          | 11 612          | 13 577               | 15 787          | 15 787             | 15 677                                              | 15 642                 | 16 628                 |
| Community and public safety                                                                                       |          | 3 797           | 5 449           | 6 339           | 6 852                | 6 893           | 6 893              | 3 911                                               | 4 171                  | 4 438                  |
| Community and social services                                                                                     |          | 1 403           | 1 438           | 3 425           | 3 856                | 3 860           | 3 860              | 912                                                 | 973                    | 1 036                  |
| Sport and recreation                                                                                              |          | 2 250           | 2 821           | 2 591           | 2 827                | 2 856           | 2 856              | 2 807                                               | 2 995                  | 3 189                  |
| Public safety                                                                                                     |          | 46              | 46              | 60              | 52                   | 53              | 53                 | 57                                                  | 60                     | 54                     |
| Housing                                                                                                           |          | 37              | 1 083           | 198             | 58                   | 62              | 62                 | 66                                                  | 71                     | 75                     |
| Health                                                                                                            |          | 61              | 61              | 65              | 58                   | 61              | 61                 | 69                                                  | 71                     | 74                     |
| Economic and environmental services                                                                               |          | 11 110          | 5 881           | 5 552           | 5 592                | 4 864           | 4 864              | 6 032                                               | 6 524                  | 7 025                  |
| Planning and development                                                                                          |          | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Road transport                                                                                                    |          | 11 110          | 5 881           | 5 552           | 5 592                | 4 864           | 4 864              | 6 032                                               | 6 524                  | 7 025                  |
| Environmental protection                                                                                          |          | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Trading services                                                                                                  |          | 19 243          | 19 535          | 22 905          | 20 297               | 21 294          | 21 294             | 23 478                                              | 25 524                 | 27 488                 |
| Electricity                                                                                                       |          | 10 951          | 10 650          | 11 803          | 13 005               | 13 625          | 13 625             | 14 931                                              | 16 268                 | 17 698                 |
| Water                                                                                                             |          | 5 069           | 4 657           | 5 384           | 3 203                | 3 469           | 3 469              | 3 775                                               | 4 234                  | 4 512                  |
| Waste water management                                                                                            |          | 1 604           | 2 111           | 2 735           | 1 962                | 1 973           | 1 973              | 2 248                                               | 2 358                  | 2 469                  |
| Waste management                                                                                                  |          | 1 620           | 2 117           | 2 904           | 2 127                | 2 227           | 2 227              | 2 524                                               | 2 664                  | 2 809                  |
| Other                                                                                                             | 4        | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| <b>Total Expenditure - Standard</b>                                                                               | <b>3</b> | <b>59 734</b>   | <b>56 795</b>   | <b>56 772</b>   | <b>60 316</b>        | <b>62 538</b>   | <b>62 538</b>      | <b>60 306</b>                                       | <b>63 868</b>          | <b>68 457</b>          |
| <b>Surplus/(Deficit) for the year</b>                                                                             |          | <b>8 939</b>    | <b>(1 557)</b>  | <b>9 499</b>    | <b>16 043</b>        | <b>6 278</b>    | <b>6 278</b>       | <b>23 534</b>                                       | <b>27 243</b>          | <b>6 774</b>           |

Capital transfers and contributions are excluded from the operating statements, in order to see the surplus/ deficit.

Plans are in place to address the lack of revenue collected and improve the collection rate. These include the cutting of services and sending lawyers letters to consumers whose accounts have been in arrears for long periods

### Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R25 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).

**Table 3 Comparison of proposed rates to be levied for the 2016/2017 financial year**

| <i>Category</i>        | <i>Current tariff<br/>(1 July 2015)</i> | <i>Proposed tariff<br/>(1 July 2016)</i> |
|------------------------|-----------------------------------------|------------------------------------------|
| Residential Properties | 0.009195                                | 0.0099122                                |
| Business & Commercial  | 0.012204                                | 0.0131559                                |
| Farms                  | 0.001417                                | 0.0015275                                |
| Mining activities      | 0.027586                                | 0.0331528                                |

### Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand outgrows the supply. Richtersveld Municipality carefully reviewed the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 4 Proposed Water Tariffs**

| <i>Category</i><br><i>Residential</i> | <i>Current tariff</i><br><i>(1 July 2015)</i> | <i>Proposed tariff</i><br><i>(1 July 2016)</i> |
|---------------------------------------|-----------------------------------------------|------------------------------------------------|
| 0-6kl                                 | 9.88                                          | 10.65                                          |
| 7-20 kl                               | 10.57                                         | 11.39                                          |
| 21+kl                                 | 11.29                                         | 12.17                                          |

| <i>Category</i><br><i>Commercial</i> | <i>Current tariff</i><br><i>(1 July 2015)</i> | <i>Proposed tariff</i><br><i>(1 July 2016)</i> |
|--------------------------------------|-----------------------------------------------|------------------------------------------------|
| 0-2 kl                               | 12.03                                         | 12.97                                          |
| 3+kl                                 | 12.73                                         | 13.72                                          |

### **Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. A 7.64% increase in terms of electricity sales will be effective from 1 July 2016.

Considering the Eskom increases, the consumer tariff had to be increased by a 7.64 per cent to offset the additional bulk purchase cost from 1 July 2016. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

Currently electricity is operating at a deficit. The Municipality will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

### **Sanitation and Impact of Tariff Increases**

Currently, sanitation operates at a surplus. In most cases, a tariff increase of 7.8% (inflation) for sanitation from 1 July 2016 is proposed. (as per circular 79).

The following table compares the current and proposed tariffs:

**Table 5 Comparison between current sanitation charges and increases**

| <b>Category</b>                        | <b>Current tariff<br/>(1 July 2015)</b> | <b>Proposed tariff<br/>(1 July 2016)</b> |
|----------------------------------------|-----------------------------------------|------------------------------------------|
| Availability                           | 68.57                                   | 73.92                                    |
| Suction tank removals                  | 68.57                                   | 131.31                                   |
| Sanitation                             | 75.61                                   | 81.51                                    |
| Excess removals (normal hours)         | 153.96                                  | 135.00                                   |
| Excess removals (after hours)          | 353.10                                  | 270.00                                   |
| Sanitation connections                 | 2254.66                                 | 2430.52                                  |
| Blockage services                      | 306.00                                  | 329.87                                   |
| Sanitation- Muisvlak                   | 587.65                                  | 633.49                                   |
| Sanitation- Guesthouses                | 127.60                                  | 131.31                                   |
| Suction tank removal- Industrial areas | 0.00                                    | 170.00                                   |

**Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is operating at a surplus. In most cases, a tariff increase of 7.8% (inflation) for sanitation from 1 July 2016 is proposed. (as per circular 79) .

The following table compares current and proposed amounts payable from 1 July 2016:

**Table 6 Comparison between current waste removal fees and increases**

| <i>Category</i>          | <i>Current tariff<br/>(1 July 2015)</i> | <i>Proposed tariff<br/>(1 July 2016)</i> |
|--------------------------|-----------------------------------------|------------------------------------------|
| Availability             | 62.36                                   | 67.22                                    |
| Sales- Households        | 66.90                                   | 72.12                                    |
| Sales- Commercial        | 251.02                                  | 270.60                                   |
| Extra removals (bakkie)  | 371.60                                  | 400.58                                   |
| Extra removals (truck)   | 690.30                                  | 744.14                                   |
| Refuse removal- Muisvlak | 587.55                                  | 633.38                                   |
| Removal- Perishables     | 0.00                                    | 400.00                                   |
| Guesthouses              | 127.67                                  | 137.63                                   |

### Operating Expenditure Framework

The Municipalities expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The asset lease strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) ;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.



The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

### Summary of operating expenditure by standard classification item

| Standard Classification Description            | Rel | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
|                                                |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>Revenue - Standard</b>                      |     |                 |                 |                 |                      |                 |                    |                                                     |                        |                        |
| <i>Municipal governance and administration</i> |     | 45 663          | 27 483          | 33 348          | 32 423               | 32 423          | 32 423             | 31 410                                              | 32 043                 | 35 112                 |
| Executive and council                          |     | 5 647           | 510             | 1 206           | 269                  | 269             | 269                | 239                                                 | 254                    | 269                    |
| Mayor and Council                              |     | 4 938           | 432             | 1 164           | 225                  | 225             | 225                | 239                                                 | 254                    | 269                    |
| Municipal Manager                              |     | 769             | 78              | 42              | 45                   | 45              | 45                 | -                                                   | -                      | -                      |
| Budget and treasury office                     |     | 10 644          | 9 799           | 11 963          | 12 585               | 12 585          | 12 585             | 14 730                                              | 15 605                 | 16 669                 |
| Corporate services                             |     | 29 072          | 17 175          | 20 179          | 19 570               | 19 570          | 19 570             | 16 441                                              | 16 184                 | 18 174                 |
| Human Resources                                |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Information Technology                         |     | 1 393           | 450             | 743             | 181                  | 181             | 181                | 192                                                 | 204                    | 216                    |
| Property Services                              |     | 27 679          | 16 725          | 19 437          | 19 389               | 19 389          | 19 389             | 16 248                                              | 15 990                 | 17 958                 |
| Other Admin                                    |     | 1 349           | 2 455           | 2 497           | 3 304                | 3 304           | 3 304              | 2 237                                               | 2 376                  | 2 516                  |
| <i>Community and public safety</i>             |     | 266             | 282             | 1 391           | 1 529                | 1 529           | 1 529              | 346                                                 | 367                    | 389                    |
| Community and social services                  |     | (10)            | (15)            | 1 064           | 1 188                | 1 188           | 1 188              | (18)                                                | (19)                   | (20)                   |
| Libraries and Archives                         |     | (4)             | (4)             | (15)            | (4)                  | (4)             | (4)                | (4)                                                 | (4)                    | (5)                    |
| Museums & Art Galleries etc                    |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Community halls and Facilities                 |     | 3               | 5               | 7               | 11                   | 11              | 11                 | 12                                                  | 12                     | 13                     |
| Cemeteries & Crematoriums                      |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Child Care                                     |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Aged Care                                      |     | 277             | 295             | 336             | 334                  | 334             | 334                | 356                                                 | 378                    | 400                    |
| Other Community                                |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Other Social                                   |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Sport and recreation                           |     | 1 025           | 1 193           | 1 195           | 1 761                | 1 761           | 1 761              | 1 877                                               | 1 694                  | 2 111                  |
| <i>Public safety</i>                           |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Police                                         |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Fire                                           |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Civil Defence                                  |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Street Lighting                                |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Other                                          |     | 14              | 1 024           | 15              | 17                   | 17              | 17                 | 18                                                  | 19                     | 20                     |
| Housing                                        |     | 45              | (4)             | (3)             | (3)                  | (3)             | (3)                | (4)                                                 | (4)                    | (4)                    |
| Health                                         |     | 45              | (4)             | (3)             | (3)                  | (3)             | (3)                | (4)                                                 | (4)                    | (4)                    |
| Clinics                                        |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Ambulance                                      |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Other                                          |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| <i>Economic and environmental services</i>     |     | 2 752           | 4 334           | 7 014           | 7 384                | 7 384           | 7 384              | 7 034                                               | 7 433                  | 7 584                  |
| Planning and development                       |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Economic Development/Planning                  |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Town Planning/Building                         |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Licensing & Regulation                         |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Road transport                                 |     | 2 752           | 4 334           | 7 014           | 7 384                | 7 384           | 7 384              | 7 034                                               | 7 433                  | 7 584                  |
| Roads                                          |     | 2 683           | 4 356           | 6 987           | 7 276                | 7 276           | 7 276              | 7 025                                               | 7 424                  | 7 574                  |
| Public Buses                                   |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Parking Garages                                |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Vehicle Licensing and Testing                  |     | 91              | -               | 47              | 27                   | 27              | 27                 | 29                                                  | 31                     | 33                     |
| Other                                          |     | (23)            | (22)            | (19)            | 81                   | 81              | 81                 | (20)                                                | (21)                   | (23)                   |
| Environmental protection                       |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Pollution Control                              |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Biodiversity & Landscape                       |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Other                                          |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| <i>Trading services</i>                        |     | 18 909          | 20 926          | 23 311          | 33 247               | 25 704          | 25 704             | 43 159                                              | 49 259                 | 30 018                 |
| Electricity                                    |     | 8 761           | 8 354           | 9 080           | 13 373               | 13 373          | 13 373             | 14 157                                              | 15 442                 | 15 235                 |
| Electricity Distribution                       |     | 8 761           | 8 354           | 9 080           | 13 373               | 13 373          | 13 373             | 14 157                                              | 15 442                 | 15 235                 |
| Electricity Generation                         |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Water                                          |     | 5 678           | 6 184           | 5 974           | 13 051               | 5 508           | 5 508              | 21 729                                              | 26 093                 | 6 604                  |
| Water Distribution                             |     | 5 678           | 6 184           | 5 974           | 13 051               | 5 508           | 5 508              | 21 729                                              | 26 093                 | 6 604                  |
| Water Storage                                  |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Waste water management                         |     | 2 212           | 3 967           | 5 342           | 3 377                | 3 377           | 3 377              | 3 600                                               | 3 823                  | 4 049                  |
| Sewerage                                       |     | 2 212           | 3 967           | 5 342           | 3 377                | 3 377           | 3 377              | 3 600                                               | 3 823                  | 4 049                  |
| Storm Water Management                         |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Public Toilets                                 |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Waste management                               |     | 2 258           | 2 441           | 2 916           | 3 445                | 3 445           | 3 445              | 3 674                                               | 3 901                  | 4 132                  |
| Solid Waste                                    |     | 2 258           | 2 441           | 2 916           | 3 445                | 3 445           | 3 445              | 3 674                                               | 3 901                  | 4 132                  |
| Other                                          |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Air Transport                                  |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Abattoirs                                      |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Tourism                                        |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Forestry                                       |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| Markets                                        |     | -               | -               | -               | -                    | -               | -                  | -                                                   | -                      | -                      |
| <b>Total Revenue - Standard</b>                | 2   | 68 673          | 55 238          | 66 271          | 76 359               | 68 816          | 68 816             | 83 841                                              | 91 111                 | 75 231                 |

| Expenditure - Standard                         | 25 585        | 25 929        | 21 975         | 27 575        | 29 487        | 29 487        | 26 885        | 27 649        | 29 506        |
|------------------------------------------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Municipal governance and administration</b> | <b>6 158</b>  | <b>5 671</b>  | <b>5 746</b>   | <b>6 040</b>  | <b>5 852</b>  | <b>5 852</b>  | <b>6 502</b>  | <b>6 932</b>  | <b>7 372</b>  |
| Executive and council                          | 4 681         | 4 309         | 4 308          | 4 158         | 4 011         | 4 011         | 4 647         | 4 838         | 5 136         |
| Mayor and Council                              | 1 478         | 1 362         | 1 439          | 1 882         | 1 841         | 1 841         | 1 955         | 2 094         | 2 236         |
| Municipal Manager                              | 8 698         | 6 313         | 4 617          | 7 959         | 7 848         | 7 848         | 4 706         | 5 075         | 5 606         |
| Budget and treasury office                     | 10 529        | 13 945        | 11 612         | 13 577        | 15 787        | 15 787        | 15 677        | 15 642        | 16 628        |
| Corporate services                             | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Human Resources                                | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Information Technology                         | 1 089         | 904           | 1 576          | 746           | 769           | 769           | 874           | 895           | 917           |
| Property Services                              | 9 441         | 13 042        | 10 036         | 12 830        | 14 998        | 14 998        | 14 803        | 14 747        | 15 711        |
| Other Admin                                    | 3 797         | 5 449         | 6 339          | 6 852         | 6 693         | 6 693         | 3 911         | 4 171         | 4 438         |
| <b>Community and public safety</b>             | <b>1 403</b>  | <b>1 438</b>  | <b>3 425</b>   | <b>3 858</b>  | <b>3 860</b>  | <b>3 860</b>  | <b>912</b>    | <b>973</b>    | <b>1 036</b>  |
| Community and social services                  | 1 320         | 1 365         | 3 345          | 3 777         | 3 780         | 3 780         | 826           | 883           | 942           |
| Libraries and Archives                         | 25            | 31            | 33             | 35            | 33            | 33            | 35            | 37            | 39            |
| Museums & Art Galleries etc                    | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Community halls and Facilities                 | 18            | 24            | 29             | 29            | 31            | 31            | 33            | 35            | 37            |
| Cemeteries & Crematoriums                      | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Child Care                                     | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Aged Care                                      | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Other Community                                | 39            | 18            | 18             | 16            | 16            | 16            | 18            | 18            | 18            |
| Other Social                                   | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Sport and recreation                           | 2 250         | 2 821         | 2 591          | 2 827         | 2 856         | 2 856         | 2 807         | 2 995         | 3 189         |
| Public safety                                  | 46            | 46            | 60             | 52            | 53            | 53            | 57            | 60            | 64            |
| Police                                         | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Fire                                           | 46            | 46            | 60             | 52            | 53            | 53            | 57            | 60            | 64            |
| Civil Defence                                  | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Street Lighting                                | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Other                                          | 37            | 1 083         | 198            | 58            | 62            | 62            | 66            | 71            | 75            |
| Housing                                        | 61            | 61            | 65             | 58            | 61            | 61            | 69            | 71            | 74            |
| Health                                         | 61            | 61            | 65             | 58            | 61            | 61            | 69            | 71            | 74            |
| Clinics                                        | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Ambulance                                      | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Other                                          | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| <b>Economic and environmental services</b>     | <b>11 110</b> | <b>5 881</b>  | <b>5 552</b>   | <b>5 592</b>  | <b>4 864</b>  | <b>4 864</b>  | <b>6 032</b>  | <b>6 524</b>  | <b>7 025</b>  |
| Planning and development                       | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Economic Development/Planning                  | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Town Planning/Building                         | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Licensing & Regulation                         | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Road transport                                 | 11 110        | 5 881         | 5 552          | 5 592         | 4 864         | 4 864         | 6 032         | 6 524         | 7 025         |
| Roads                                          | 9 958         | 4 765         | 3 864          | 4 119         | 3 376         | 3 376         | 4 113         | 4 603         | 4 898         |
| Public Buses                                   | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Parking Garages                                | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Vehicle Licensing and Testing                  | 168           | 171           | 281            | 348           | 325           | 325           | 345           | 370           | 394           |
| Other                                          | 984           | 945           | 1 407          | 1 124         | 1 163         | 1 163         | 1 574         | 1 652         | 1 732         |
| Environmental protection                       | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Pollution Control                              | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Biodiversity & Landscape                       | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Other                                          | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| <b>Trading services</b>                        | <b>19 243</b> | <b>19 535</b> | <b>22 905</b>  | <b>20 297</b> | <b>21 294</b> | <b>21 294</b> | <b>23 478</b> | <b>25 524</b> | <b>27 488</b> |
| Electricity                                    | 10 951        | 10 650        | 11 803         | 13 005        | 13 625        | 13 625        | 14 931        | 16 268        | 17 698        |
| Electricity Distribution                       | 10 951        | 10 650        | 11 803         | 13 005        | 13 625        | 13 625        | 14 931        | 16 268        | 17 698        |
| Electricity Generation                         | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Water                                          | 5 069         | 4 657         | 5 384          | 3 203         | 3 469         | 3 469         | 3 775         | 4 234         | 4 512         |
| Water Distribution                             | 5 069         | 4 657         | 5 384          | 3 203         | 3 469         | 3 469         | 3 775         | 4 234         | 4 512         |
| Water Storage                                  | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Waste water management                         | 1 604         | 2 111         | 2 735          | 1 962         | 1 973         | 1 973         | 2 248         | 2 358         | 2 469         |
| Sewerage                                       | 1 604         | 2 111         | 2 735          | 1 962         | 1 973         | 1 973         | 2 248         | 2 358         | 2 469         |
| Storm Water Management                         | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Public Toilets                                 | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Waste management                               | 1 620         | 2 117         | 2 984          | 2 127         | 2 227         | 2 227         | 2 524         | 2 664         | 2 809         |
| Solid Waste                                    | 1 620         | 2 117         | 2 984          | 2 127         | 2 227         | 2 227         | 2 524         | 2 664         | 2 809         |
| Other                                          | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Air Transport                                  | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Abattoirs                                      | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Tourism                                        | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Forestry                                       | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| Markets                                        | -             | -             | -              | -             | -             | -             | -             | -             | -             |
| <b>Total Expenditure - Standard</b>            | <b>3</b>      | <b>59 734</b> | <b>56 795</b>  | <b>56 772</b> | <b>60 316</b> | <b>62 538</b> | <b>62 538</b> | <b>60 306</b> | <b>63 868</b> |
| <b>Surplus/(Deficit) for the year</b>          |               | <b>8 939</b>  | <b>(1 557)</b> | <b>9 499</b>  | <b>16 043</b> | <b>6 278</b>  | <b>6 278</b>  | <b>23 534</b> | <b>27 243</b> |

Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.0 per cent for the 2016/17 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent

proclamation in this regard has been taken into account in compiling the Municipalities budget.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This is mainly made up of bulk purchases of R 14,279,000, employee related costs of R24, 077,000.00 and general expenditure of R 10,318,000.00

#### **Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipalities Indigent Policy. This process is reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

**Capital expenditure**

For 2016/17 an amount of R24,458,000.00 has been appropriated for the development of infrastructure on the capital budget especially water infrastructure.

| NC061 Richtersveld - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
|---------------------------------------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Vote Description                                                                                        | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|                                                                                                         |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| R thousand                                                                                              | 1   |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| <b>Capital expenditure - Vote</b>                                                                       |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| <b>Multi-year expenditure to be appropriated</b>                                                        | 2   |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Vote 1 - Executive and council                                                                          |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Vote 2 - Administration: Corporate                                                                      |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Vote 3 - Administration: Community                                                                      |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Vote 4 - Financial Services                                                                             |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Vote 5 - Infrastructure                                                                                 |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Vote 6 - [NAME OF VOTE 6]                                                                               |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Capital multi-year expenditure sub-total</b>                                                         | 7   | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Single-year expenditure to be appropriated</b>                                                       | 2   |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Vote 1 - Executive and council                                                                          |     | 35              | -               | 21              | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Vote 2 - Administration: Corporate                                                                      |     | 173             | 623             | 467             | 20                   | 65              | 65                 | 65                | -                                                   | -                      | -                      |
| Vote 3 - Administration: Community                                                                      |     | 110             | 204             | 145             | 68                   | 50              | 50                 | 50                | -                                                   | -                      | -                      |
| Vote 4 - Financial Services                                                                             |     | -               | -               | 17              | 5                    | 5               | 5                  | 5                 | 100                                                 | -                      | -                      |
| Vote 5 - Infrastructure                                                                                 |     | 15 421          | 6 430           | 10 192          | 16 316               | 9 933           | 9 933              | 9 933             | 24 358                                              | 29 255                 | 8 547                  |
| Vote 6 - [NAME OF VOTE 6]                                                                               |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Capital single-year expenditure sub-total</b>                                                        |     | 15 739          | 7 257           | 10 842          | 16 409               | 10 053          | 10 053             | 10 053            | 24 458                                              | 29 255                 | 8 547                  |
| <b>Total Capital Expenditure - Vote</b>                                                                 |     | 15 739          | 7 257           | 10 842          | 16 409               | 10 053          | 10 053             | 10 053            | 24 458                                              | 29 255                 | 8 547                  |
| <b>Capital Expenditure - Standard</b>                                                                   |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| <b>Governance and administration</b>                                                                    |     | 141             | 623             | 363             | 25                   | 70              | 70                 | 70                | 100                                                 | -                      | -                      |
| Executive and council                                                                                   |     | 35              | -               | 21              | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Budget and treasury office                                                                              |     | 106             | -               | 17              | 5                    | 5               | 5                  | 5                 | 100                                                 | -                      | -                      |
| Corporate services                                                                                      |     | -               | 623             | 325             | 20                   | 65              | 65                 | 65                | -                                                   | -                      | -                      |
| <b>Community and public safety</b>                                                                      |     | 1 448           | 5               | 288             | 40                   | 40              | 40                 | 40                | -                                                   | -                      | -                      |
| Community and social services                                                                           |     | 177             | -               | 142             | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Sport and recreation                                                                                    |     | 1 271           | 3               | 145             | 40                   | 40              | 40                 | 40                | -                                                   | -                      | -                      |
| Public safety                                                                                           |     | -               | 2               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Housing                                                                                                 |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Health                                                                                                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Economic and environmental services</b>                                                              |     | 11 103          | 3 501           | 7 008           | 33                   | 7 268           | 7 268              | 7 268             | 7 001                                               | 7 398                  | 7 547                  |
| Planning and development                                                                                |     | -               | 182             | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Road transport                                                                                          |     | 11 108          | 3 320           | 7 008           | 33                   | 7 268           | 7 268              | 7 268             | 7 001                                               | 7 398                  | 7 547                  |
| Environmental protection                                                                                |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Trading services</b>                                                                                 |     | 3 042           | 3 110           | 3 184           | 16 311               | 2 675           | 2 675              | 2 675             | 17 357                                              | 21 857                 | 1 000                  |
| Electricity                                                                                             |     | 1 658           | 1 372           | -               | 1 505                | 1 505           | 1 505              | 1 505             | 1 500                                               | 2 000                  | 1 000                  |
| Water                                                                                                   |     | 808             | 613             | 577             | 7 548                | 5               | 5                  | 5                 | 15 857                                              | 19 857                 | -                      |
| Waste water management                                                                                  |     | 574             | 441             | 2 607           | 7 258                | 1 165           | 1 165              | 1 165             | -                                                   | -                      | -                      |
| Waste management                                                                                        |     | 2               | 684             | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Other                                                                                                   |     | -               | 18              | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Total Capital Expenditure - Standard</b>                                                             | 3   | 15 739          | 7 257           | 10 842          | 16 409               | 10 053          | 10 053             | 10 053            | 24 458                                              | 29 255                 | 8 547                  |
| <b>Funded by:</b>                                                                                       |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| National Government                                                                                     |     | 15 623          | 5 177           | 8 230           | 16 256               | 8 753           | 8 753              | 8 753             | 24 358                                              | 29 255                 | 8 547                  |
| Provincial Government                                                                                   |     | 116             | 356             | 425             | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| District Municipality                                                                                   |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Other transfers and grants                                                                              |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Transfers recognised - capital</b>                                                                   | 4   | 15 739          | 5 533           | 8 655           | 16 256               | 8 753           | 8 753              | 8 753             | 24 358                                              | 29 255                 | 8 547                  |
| Public contributions & donations                                                                        | 5   | -               | 240             | 959             | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Borrowing                                                                                               | 6   | -               | -               | 12              | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Internally generated funds                                                                              |     | -               | 1 483           | 1 206           | 113                  | 1 300           | 1 300              | 1 300             | 100                                                 | -                      | -                      |
| <b>Total Capital Funding</b>                                                                            | 7   | 15 739          | 7 257           | 10 842          | 16 409               | 10 053          | 10 053             | 10 053            | 24 458                                              | 29 255                 | 8 547                  |

## Part 2 – Supporting Documentation

### Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee is incorporated in the Financial Steering Committee and consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipalities IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

### Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

| Budget Activities                               | Integrated Development Plan for next year                                                     | Responsibility                                              | Proposed Date | Due Date                                                                            |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------|
| <b>Time Schedule planning</b>                   |                                                                                               |                                                             |               |                                                                                     |
| Engagements with Communities on IDP             | Alexander Bay<br>Eksteenfontein<br>Kuboes<br>Lekkersing<br>Port Nolloth/Sizamile<br>Sanddrift | Mayor/IDP<br>Manager/Ward<br>Councillors/Ward<br>Committees |               | 18 Nov<br>2015<br>(18h00)<br>17 Nov<br>2015<br>(11h00)<br>18 Nov<br>2015<br>(11h00) |
| Prioritization of IDP projects with Communities | Alexanderbay<br>Eksteenfontein<br>Kuboes<br>Lekkersing<br>Port Nolloth/Sizamile<br>Sanddrift  | Mayor/IDP<br>Manager/Ward<br>Councillors/Ward<br>Committees |               | 17 Nov<br>2015<br>(15h00)<br>19 Nov<br>2015                                         |

|                                                 |                                                                                 |                                                         |  |                                                                            |
|-------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------|--|----------------------------------------------------------------------------|
| Stakeholders meeting                            | Councillors, Ward Committees/CBO's/NPO's and government departments             |                                                         |  | (18h00)<br>18 Nov 2015<br>(14h00)                                          |
|                                                 | Namakwa District IDP Representative                                             | Mayor/IDP Manager/Ward Councillors<br>Municipal Manager |  | 12 Jan 2016<br>(18h00)<br>13 Jan 2016<br>(11h00)<br>12 Jan 2016<br>(11h00) |
|                                                 | IDP Engagement and Analysis with Municipalities                                 | IDP Manager<br>Municipal Manager/Mayor                  |  | 13 Jan 2016<br>(15h00)<br>14 Jan 2016<br>(18h00)<br>12 Jan 2016<br>(14h00) |
|                                                 |                                                                                 | Mayor/IDP Manager/Municipal Manager                     |  |                                                                            |
| Namakwa District Municipality                   |                                                                                 |                                                         |  | 11 February 2016                                                           |
| COGHSTA                                         |                                                                                 | Chief Financial Officer                                 |  |                                                                            |
| Budget Steering Committee                       |                                                                                 |                                                         |  | November 2015                                                              |
|                                                 |                                                                                 |                                                         |  | August 2016                                                                |
|                                                 |                                                                                 |                                                         |  | 09 Feb 2016                                                                |
| Consultation with bulk service providers        |                                                                                 | Municipal Manager/CFO                                   |  |                                                                            |
| Determine the time schedules for budget process | Determine the time schedules for the Integrated Development Plan (IDP) process. | Chief Financial Officer /IDP Manager                    |  | 31 July 2015                                                               |
| Review of budget policies                       | Indigent Policy, Rates Policy, Credit Policy                                    | Municipal Manager/Council                               |  | Jan - March 2016                                                           |

| <b>Time Schedules and Consultation</b>                                                                                                                                                              |                                                                                                                                                                                                                                  |                                           |  |                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--|--------------------------------------------|
| The Mayor lay down the budget process and time schedules to council                                                                                                                                 | The Mayor lay down the IDP review process and time schedules to council.                                                                                                                                                         | Mayor                                     |  | 28 August 2015                             |
| Advertise (through the website of the municipality, local newspaper and notice boards) the budget process and time schedules.                                                                       | Advertise (through the website of the municipality, local newspaper and notice boards) the new process that will be used, time schedules for consultation and community meetings of all forums and committees                    | Municipal Manager                         |  | Within 5 days after tabled by the council  |
| Ensure consultation on the budget and community consultation for the IDP takes place.                                                                                                               | Ensure consultation on the budget and community consultation for the IDP takes place.                                                                                                                                            | Mayor/Councillors                         |  | Continues Process as being outlined above. |
| Review all external mechanisms that are in place to ensure that all changes on all agreements are made, which may have an impact on the next budget.                                                |                                                                                                                                                                                                                                  | Municipal Manager                         |  | 30 September 2015                          |
| <b>Position and Financial Capacity</b>                                                                                                                                                              |                                                                                                                                                                                                                                  |                                           |  |                                            |
| Based on the financial statements of the previous financial year, on the financial position of the municipality and the financial capacity determine the impact on the future strategies and budget | Review the performance of the IDP of the past year and consult with the community on the achievements and the changes regarding the needs of the community that needs to be made. ( IDP committee and IDP representatives forum) | Chief Financial Officer/Senior Management |  | 17 November 2015<br><br>31 October 2015    |
| <b>Long term Planning</b>                                                                                                                                                                           |                                                                                                                                                                                                                                  |                                           |  |                                            |
| In the consultation with the Financial committee                                                                                                                                                    | In consultation with the IDP committee the future plans, strategies and                                                                                                                                                          | Mayor                                     |  | 31 October 2015                            |

|                                                                                                                                 |                                                                                                             |                         |  |                             |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------|--|-----------------------------|
| determine the future priority area for the municipality to set guidance for the budget allocations and the IDP drafting.        | priorities for the next 3 to 5 years are determined. (Incorporate feedback to the community).               |                         |  |                             |
| Confirm current policy priorities and set new policy priorities for the next 3 years.                                           |                                                                                                             | Council                 |  | October 2015- November 2015 |
| IDP committee approves the policy guidelines and priority areas.                                                                |                                                                                                             |                         |  | 30 Nov 2015                 |
| Identify all factors that may impact on the future budgets and determine the broad financial framework.                         |                                                                                                             | Head of Departments     |  | 15 January 2016             |
| Determine the possible income / funding / grants that will be available for the next three financial years. (16/17,17/18,18/19) |                                                                                                             | Chief Financial Officer |  | March 2016                  |
| Determine the possible outcomes and identify needs for change in the fiscal strategy.                                           |                                                                                                             |                         |  |                             |
| <b>Preparation of concepts</b>                                                                                                  |                                                                                                             |                         |  |                             |
| Review income and funding policies, including the tariff structure.                                                             |                                                                                                             | Heads of department     |  | 12 February 2016            |
| Prepare the allocations on the financial capacity and the possible future financial outcome.                                    |                                                                                                             | Municipal Manager/CFO   |  |                             |
| IDP-committee meeting to discuss the outcomes, goals, priorities and outcomes for the upcoming three years.                     | IDP-committee meeting to discuss the outcomes, goals, priorities and outcomes for the upcoming three years. | Council                 |  | 23 November 2015            |



|                                                                                                                                                                                               |                                                                          |                         |  |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------|--|----------------|
| <b>Consultation with other institutions</b>                                                                                                                                                   |                                                                          |                         |  |                |
| The Municipality receives notifications from National and Provincial Government on factors that may have influence on the budget.                                                             |                                                                          | Municipal Manager       |  | December 2015  |
| Advertise the request for funds transfers to organizations outside government sphere.                                                                                                         |                                                                          | Municipal Manager       |  | Jan – Dec 2016 |
| Preparation of the IDP, capital and operational budget with cost and income projections. Review implementation of service delivery and budget implementation plan.                            | Integration of the IDP, including the upgrading of the budget framework. | LED/IDP Manager         |  | February 2016  |
| Preparation of projections and functional allocations based on previous years status and amended prominent factors, prominent responsibilities, and prominent asset maintenance requirements. |                                                                          | Chief Financial Officer |  | March 2016     |
| Amend plans to link to the available resources and policy priorities.                                                                                                                         |                                                                          | Chief Financial Officer |  | March 2016     |
| Finalise the draft options for the IDP and budget for the next 3 years.                                                                                                                       |                                                                          | IDP Manager             |  | 31 March 2016  |
| Consider the impact of tariffs and consumer billings.                                                                                                                                         |                                                                          | Chief Financial Officer |  |                |
| <b>Priority bepaling</b>                                                                                                                                                                      |                                                                          |                         |  |                |
| Consult the financial                                                                                                                                                                         |                                                                          | Head of                 |  | 17 February    |

|                                                                                                                                                                   |                              |                                         |  |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------------|--|------------------|
| committee on the draft budget, tariff amendments and IDP medium term proposals.                                                                                   |                              | Departments and all unit managers       |  | 2016             |
| Financial Committee discuss the draft budget, tariff amendments and IDP proposals considering the priorities and achievements of the medium term proposals.       |                              | Financial Committee                     |  | March 2016       |
| Finalize the detailed operational plan en budget.                                                                                                                 | Finalize the detailed plans. | Municipal Manager & Head of Departments |  | 26 February 2016 |
| Incorporate the goals and operational plan in relation to the Service Delivery and Budget implementation plan (SDBIP).                                            |                              | Head of Departments                     |  | 26 February 2016 |
| National and Provincial accounting officers finalize any adjustment to the projected allocations for the next three financial years, not later than their budget. |                              | National and Provincial Government      |  | 29 February 2016 |
| <b>Finalization of concepts</b>                                                                                                                                   |                              |                                         |  |                  |
| Finalize detailed concept budget for the next three years in the prescribed format.                                                                               |                              | Chief Financial Officer                 |  | 29 February 2016 |
| Incorporate the concept budget proposals and monthly projections of Income per source in the SDBIP.                                                               |                              | Chief Financial Officer                 |  | 23 March 2016    |

|                                                                                                                                       |                                                                                                                                                                                  |                         |  |                          |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--|--------------------------|
| Financial Committee receives budget, SDBIP and the improvements on the IDP.                                                           | Financial Committee receives budget, SDBIP and the improvements on the IDP.                                                                                                      | Chief Financial Officer |  | 16 March 2016            |
|                                                                                                                                       |                                                                                                                                                                                  |                         |  |                          |
| <b>Considering of the Annual Budget</b>                                                                                               |                                                                                                                                                                                  |                         |  |                          |
| Council approves the annual budget                                                                                                    | Council approves the annual budget                                                                                                                                               | Council                 |  | 24 March 2016            |
| Mayor tables the budget, tariffs, SDBIP and updated IDP to council before 31 March.                                                   | Mayor tables the budget, tariffs, SDBIP and updated IDP to council before 31 March.                                                                                              | Mayor                   |  | 24 March 2016            |
| Council debates on the budget and the IDP.                                                                                            | Council debates on the budget and the IDP.                                                                                                                                       | Council                 |  | 24 March 2016            |
|                                                                                                                                       |                                                                                                                                                                                  |                         |  |                          |
| <b>Consultation</b>                                                                                                                   |                                                                                                                                                                                  |                         |  |                          |
| Submit a copy of the budget, tariffs, SDBIP and changes to the IDP to National and Provincial Government for proposals.               | Submit a copy of the budget, tariffs, SDBIP and changes to the IDP to National and Provincial Government for proposals.                                                          | Municipal Manager       |  | 31 March 2016            |
|                                                                                                                                       |                                                                                                                                                                                  |                         |  |                          |
| Consultation with the community on the budget, the tariffs, the IDP and the Performance areas and indicators in the SDBIP.            | Consultation with the community on the budget, the tariffs, the IDP and the Performance areas and indicators in the SDBIP.                                                       | Mayor/Councillors       |  | 07 March – 29 April 2016 |
| Receive and analyse additional proposals of the community, National Government and Provincial Government.                             | Receive and analyse additional proposals of the community, National Government and Provincial Government.                                                                        | Mayor/Councillors       |  | May 2016                 |
| Incorporate feedback received from the community and Provincial and National Government and if necessary, review the budget, tariffs, | Incorporate feedback received from the community and Provincial and National Government and if necessary, review the budget, tariffs, SDBIP and IDP which was tabled to council. | Mayor                   |  | May 2016                 |

|                                                                                                                                                          |                                                                                                                                                          |                   |  |              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--|--------------|
| SDBIP and IDP which was tabled to council.                                                                                                               |                                                                                                                                                          |                   |  |              |
| <b>Final Approval</b>                                                                                                                                    |                                                                                                                                                          |                   |  |              |
| Mayor tables the reviewed budget, tariffs and IDP per table after consideration of proposals from the community and council – not later than 31 May 2015 | Mayor tables the reviewed budget, tariffs and IDP per table after consideration of proposals from the community and council – not later than 31 May 2015 | Mayor             |  | 23 June 2016 |
| Municipal Council approves the IDP and budget before end of May 2015                                                                                     | Municipal Council approves the IDP and budget before end of May 2015                                                                                     | Council           |  | 23 June 2016 |
| <b>Publishing and SDBIP</b>                                                                                                                              |                                                                                                                                                          |                   |  |              |
| Publish the budget, tariffs and IDP and submit a copy of the approved budget to National and Provincial Government.                                      |                                                                                                                                                          | Municipal Manager |  | June 2016    |
| Table the SDBIP and Performance agreements to the Municipal Manager and Senior Managers to Executive Mayor for approval.                                 |                                                                                                                                                          | Municipal Manager |  | 15 June 2016 |
| Approve SDBIP and Performance agreement.                                                                                                                 |                                                                                                                                                          | Mayor             |  | 30 June 2016 |
| Advertise the SDBIP and performance agreements.                                                                                                          |                                                                                                                                                          | Mayor             |  | 15 July 2016 |
| Performance agreements are tabled to council and the MEC for Local Government. (Special Council meeting)                                                 |                                                                                                                                                          | Mayor             |  | 29 July 2016 |

| Budget implementation                                   |  |                   |  |                     |
|---------------------------------------------------------|--|-------------------|--|---------------------|
| Implement the budget (2016/2017).                       |  | Municipal Manager |  | 01 July 2016        |
| Start the preparation of the next budget.               |  | Mayor             |  | 31 July 2016        |
| If necessary review the budget in an adjustment budget. |  | Mayor             |  | 19 -31 January 2017 |

### Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such

intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Maintaining the infrastructure of the Municipality.

2. Economic growth and development that leads to sustainable job creation by:
  - o Ensuring there is a clear structural plan for the Municipality;
  - o Ensuring planning processes function in accordance with set timeframes;
  - o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - o Effective implementation of the Indigent Policy;
  - o Working with the provincial department of health to provide primary health care services;
  - o Extending waste removal services and ensuring effective cleansing;
  - o Ensuring all waste water treatment works are operating optimally;
  - o Working with strategic partners such as SAPS to address crime;
  - o Ensuring safe working environments by effective enforcement of building and health regulations;
  - o Promote viable, sustainable communities through proper zoning; and
  - o Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
  - o Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
  - o Optimising effective community participation in the ward committee system; and
  - o Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
  - o Publishing the outcomes of all tender processes on the municipal website.
- 5.2 Ensure financial sustainability through:
  - o Reviewing the use of contracted services
  - o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
  - o Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The IDP revision process is underway and the public participation process has been concluded and needs have been identified by the community members. As soon as the IDP has been completed the compilation of the SDBIP will take place.

### **Overview of budget related policies**

Draft financial policies have been reviewed and tabled with the draft budget.

### **Overview of budget assumptions**

#### **External factors**

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **General inflation outlook and its impact on the municipal activities**

There are four key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:



- National Government macro- economic targets;
- The general inflationary outlook and the impact on Municipalities residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and

### **Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **Growth or decline in tax base of the municipality**

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

### **Salary increases**

The collective agreement i.r.o. salaries/wages was concluded in 2014/15 financial year and will lapse end June 2018. The increase for 2016/17 will be implemented as per SALGBC Circular 1 of 2016, which is 6% with an additional 1% notch increase, totalling 7% for 2016/17.

### **Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;

- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

| NC061 Richtersveld - Table A7 Budgeted Cash Flows |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
|---------------------------------------------------|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description                                       |  | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
| R thousand                                        |  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| <b>Receipts</b>                                   |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Property rates, penalties & collection charges    |  |     | 5 793           | 6 743           | 9 708           | 10 311               | 10 311          | 10 311             | 10 311            | 8 135                                               | 9 047                  | 9 918                  |
| Service charges                                   |  |     | 15 017          | 16 824          | 2 853           | 14 872               | 18 187          | 18 187             | 18 038            | 25 176                                              | 26 375                 | 27 645                 |
| Other revenue                                     |  |     | 4 160           | 3 677           | 4 650           | 3 884                | 3 884           | 3 884              | 3 884             | 4 979                                               | 5 288                  | 5 600                  |
| Government - operating                            |  | 1   | 20 330          | 26 839          | 23 424          | 18 381               | 18 381          | 18 381             | 18 381            | 16 323                                              | 15 021                 | 18 144                 |
| Government - capital                              |  | 1   | 9 828           | 5 192           | 6 172           | 16 296               | 8 753           | 8 753              | 8 753             | 24 358                                              | 29 295                 | 8 547                  |
| Interest                                          |  |     | 653             | 350             | 377             | 1 908                | 1 908           | 1 908              | 1 908             | 1 823                                               | 1 910                  | 2 002                  |
| Dividends                                         |  |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Payments</b>                                   |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Suppliers and employees                           |  |     | (43 580)        | (54 333)        | (39 015)        | (43 145)             | (49 561)        | (49 561)           | (49 561)          | (54 423)                                            | (53 954)               | (57 790)               |
| Finance charges                                   |  |     | (470)           | (322)           | -               | -                    | -               | -                  | -                 | (864)                                               | (975)                  | (951)                  |
| Transfers and Grants                              |  | 1   | (3 350)         | -               | (3 059)         | (3 259)              | (3 356)         | (3 356)            | (3 356)           | -                                                   | -                      | -                      |
| <b>NET CASH FROM (USED) OPERATING ACTIVITIES</b>  |  |     | <b>11 632</b>   | <b>5 697</b>    | <b>5 109</b>    | <b>13 226</b>        | <b>8 587</b>    | <b>8 587</b>       | <b>8 358</b>      | <b>25 437</b>                                       | <b>33 038</b>          | <b>13 184</b>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| <b>Receipts</b>                                   |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Proceeds on disposal of PPE                       |  |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Decrease (increase) in non-current debtors        |  |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Decrease (increase) in non-current receivables    |  |     | 9               | 9               | 11              | 11                   | 11              | 11                 | 11                | 11                                                  | 11                     | 11                     |
| Decrease (increase) in non-current investments    |  |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Payments</b>                                   |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Capital assets                                    |  |     | (15 739)        | (7 342)         | (9 326)         | (16 409)             | (10 053)        | (10 053)           | (10 053)          | (24 458)                                            | (29 255)               | (6 547)                |
| <b>NET CASH FROM (USED) INVESTING ACTIVITIES</b>  |  |     | <b>(15 731)</b> | <b>(7 333)</b>  | <b>(9 315)</b>  | <b>(16 398)</b>      | <b>(10 042)</b> | <b>(10 042)</b>    | <b>(10 042)</b>   | <b>(24 447)</b>                                     | <b>(29 244)</b>        | <b>(6 536)</b>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| <b>Receipts</b>                                   |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Short-term loans                                  |  |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Borrowing long-term financing                     |  |     | 75              | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Increase (decrease) in consumer deposits          |  |     | -               | -               | 43              | 41                   | 41              | 41                 | 41                | 60                                                  | 60                     | 60                     |
| <b>Payments</b>                                   |  |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Repayment of borrowing                            |  |     | (1 427)         | (1 455)         | (1 105)         | (705)                | (705)           | (705)              | (705)             | (252)                                               | 0                      | 0                      |
| <b>NET CASH FROM (USED) FINANCING ACTIVITIES</b>  |  |     | <b>(1 352)</b>  | <b>(1 455)</b>  | <b>(1 062)</b>  | <b>(663)</b>         | <b>(663)</b>    | <b>(663)</b>       | <b>(663)</b>      | <b>(232)</b>                                        | <b>60</b>              | <b>60</b>              |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      |  |     | <b>(6 651)</b>  | <b>(3 220)</b>  | <b>(5 281)</b>  | <b>2 164</b>         | <b>(2 195)</b>  | <b>(2 195)</b>     | <b>(2 347)</b>    | <b>757</b>                                          | <b>3 854</b>           | <b>4 629</b>           |
| Cash, cash equivalents at the year begin          |  | 2   | 16 448          | 10 397          | 6 577           | 1 296                | 3 642           | 3 642              | 3 642             | 1 295                                               | 2 652                  | 5 906                  |
| Cash, cash equivalents at the year end            |  | 2   | 10 397          | 6 577           | 1 296           | 3 461                | 1 443           | 1 443              | 1 295             | 2 052                                               | 5 906                  | 10 534                 |

### Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

| NC061 Richtersveld - Table A8 Cash backed reserves/accumulated surplus reconciliation |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
|---------------------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description                                                                           | Ref | 2012/13         | 2013/14         | 2014/15         | Current Year 2015/16 |                 |                    |                   | 2016/17 Medium Term Revenue & Expenditure Framework |                        |                        |
|                                                                                       |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2016/17                                 | Budget Year +1 2017/18 | Budget Year +2 2018/19 |
| R thousand                                                                            |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| <b>Cash and Investments available</b>                                                 |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Cash/cash equivalents at the year end                                                 | 1   | 10 397          | 6 577           | 1 296           | 3 461                | 1 443           | 1 443              | 1 295             | 2 052                                               | 5 906                  | 10 534                 |
| Other current investments > 90 days                                                   |     | 0               | 10              | 2 345           | 0                    | 0               | 0                  | 0                 | 0                                                   | 0                      | 0                      |
| Non current assets - Investments                                                      | 1   | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Cash and Investments available:</b>                                                |     | <b>10 398</b>   | <b>6 577</b>    | <b>3 642</b>    | <b>3 461</b>         | <b>1 443</b>    | <b>1 443</b>       | <b>1 295</b>      | <b>2 052</b>                                        | <b>5 906</b>           | <b>10 534</b>          |
| <b>Application of cash and Investments</b>                                            |     |                 |                 |                 |                      |                 |                    |                   |                                                     |                        |                        |
| Unspent conditional transfers                                                         |     | 2 451           | 1 788           | 311             | 0                    | 0               | 0                  | 0                 | -                                                   | -                      | -                      |
| Unspent borrowing                                                                     |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Statutory requirements                                                                | 2   | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Other working capital requirements                                                    | 3   | 5 558           | 4 020           | 2 110           | (6 303)              | 5 234           | 5 234              | (5 255)           | (8 097)                                             | (8 999)                | (9 617)                |
| Other provisions                                                                      |     | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Long term investments committed                                                       | 4   | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| Reserves to be backed by cash/investments                                             | 5   | -               | -               | -               | -                    | -               | -                  | -                 | -                                                   | -                      | -                      |
| <b>Total Application of cash and Investments:</b>                                     |     | <b>8 009</b>    | <b>5 808</b>    | <b>2 422</b>    | <b>(6 303)</b>       | <b>5 234</b>    | <b>5 234</b>       | <b>(5 255)</b>    | <b>(8 097)</b>                                      | <b>(8 999)</b>         | <b>(9 617)</b>         |
| <b>Surplus(shortfall)</b>                                                             |     | <b>2 389</b>    | <b>769</b>      | <b>1 220</b>    | <b>9 764</b>         | <b>(3 790)</b>  | <b>(3 790)</b>     | <b>6 549</b>      | <b>10 149</b>                                       | <b>14 904</b>          | <b>20 151</b>          |

### **Contracts having future budgetary implications**

In terms of the Municipalities Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

### **Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### **1. In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the website.

#### **2. Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed interns undergoing training in various divisions of the Financial Services Department.

#### **3. Service Delivery and Implementation Plan**

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2015/16 MTREF in May 2015 directly aligned and informed by the 2015/16 MTREF.

#### **4. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

#### **5. Policies**

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

**Municipal manager's quality certificate**

I, Dibere Maposa, acting municipal manager of Richtersveld Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Dibere Maposa

Municipal manager of Richtersveld Local Municipality (NC061)

Signature [Signature]

Date 31/03/2016